

Decision 06-10-014 October 5, 2006

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the matter of the Application of Catalina Passenger Service, Inc., a California corporation, for authorization to increase rates of fare for the transportation of passengers by vessel between Newport Beach and Avalon, Santa Catalina Island, California.

Application 06-05-014  
(Filed May 11, 2006)

**O P I N I O N**

**Summary**

This decision grants the application of Catalina Passenger Service, Inc. (Applicant), a corporation, to increase its vessel passenger fares pursuant to Pub. Util. Code §§ 454 and 491. The one-way adult fare for transportation between Newport Beach and Santa Catalina Island will increase 14.8%.

**Discussion**

Applicant holds a certificate of public convenience and necessity to operate as a vessel common carrier (VCC-47) transporting passengers between Newport Beach and Santa Catalina Island. The authority was granted by Decision 86252, dated August 17, 1976.

Applicant provides service utilizing one vessel, the *Catalina Flyer*. The vessel carries a maximum of 500 passengers at a speed of approximately 26 knots. Applicant operates from a terminal at the Balboa Pavilion located on the waterfront of Newport Harbor. Virtually all of Applicant's passengers are tourists and sightseers who go to Catalina for a day, a weekend, or a summer vacation.

The application requests approval to increase fares. Applicant was last given specific authorization to increase fares in 2003 by Decision (D.) 03-06-019 in Application 03-03-037. It subsequently raised fares under the special authority granted to all VCCs to adjust rates and fares to offset higher fuel costs.<sup>1</sup> Applicant's increases under this authority have now reached up to 19.7% above the 2003 level. Applicant indicates that it will discontinue the fuel surcharge upon approval of the fare increases requested by this application. If approved, the adult fare (the predominant fare category) will increase 14.8% above the current fare.

Applicant states that it is experiencing higher costs of operations. Fuel costs increased 35% between January and May of this year. Applicant's employees have received few pay increases since 2004. In order to keep up with industry standards, an immediate 5% increase is needed. Terminal expense, calculated as a percentage of revenue, has increased to 15% from 10%. Applicant has projected other expense increases at 4.7%, the rate of increase of the Consumer Price Index for the period March 2005 – March 2006 in the Los Angeles-Riverside-Orange County Area.

At current fares, Applicant projects a loss (after taxes) of \$11,868 and an operating ratio of 100.4% in 2006. Under the proposed fare increases, revenue is projected to increase \$426,095, or 13.1%, resulting in an after tax operating ratio

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<sup>1</sup> The authority was granted initially for 180 days by Resolution TL-19042, dated June 9, 2004. It was extended for one year by Resolution TL-19051, dated December 2, 2004, and further extended for another year by Resolution TL-19066, dated December 1, 2005. Resolution TL-19066 also increased the authorized "zone of reasonableness" from 15% to 20%. This special authority is scheduled to expire December 1, 2006, absent further order of the Commission.

of 94.6%. Applicant developed the 2006 projections using the same number of passengers carried for the year 2005. Although it hopes that the passenger count for 2006 will actually increase, Applicant points out that factors such as continuing war, fuel costs, and a declining economy make a higher passenger count uncertain.

Table 1 below shows the fares authorized by D.03-06-019, current fares (which include a fuel surcharge authorized by Resolution TL-19066), and proposed fares.

**TABLE 1**  
**Current and Proposed One-Way Fares**  
(In dollars per person)

	<u>Authorized by</u> <u>D.03-06-019</u>	<u>Current</u> <u>(w/Surcharge)</u>	<u>Proposed</u>
Adult	19.25	22.75	26.12
Seniors 60 yrs. and older	17.75	21.25	24.12
Child 12 yrs. and under	11.00	13.00	19.62
Infant 2 yrs. and under	N/C	N/C	N/C
Group – Adults (Weekend)	17.25	20.25	23.62
Group – Adults (Weekday)	15.75	18.75	21.62
Commuter	11.00	11.00	16.62
Consignment	14.00	15.25	18.62

Table 2 sets forth the estimated results of operations under present and proposed fares for the test year ending December 31, 2006.

**TABLE 2**  
Test Period Ending December 31, 2006  
Income Statement

	Historical Year Ending December 31, 2005	Test Year Ending December 31, 2006	
	<u>Present Fares</u>	<u>Present Fares</u>	<u>Proposed Fares</u>
Operating Revenue	\$2,723,752	\$3,241,265 <sup>2</sup>	\$3,667,360
Operating Expenses	\$2,628,221	\$3,253,133	\$3,321,086
Net Income (Loss)			
Before Taxes	\$95,531	(\$11,868)	\$346,274
Income Taxes	\$21,017	---	\$146,474
Operating Ratio (After Taxes)	97.3%	100.4%	94.6%

We find that Applicant's request is justified. We will grant the application effective immediately.

Notice of filing of the application appeared in the Commission's Daily Calendar on May 16, 2006. A copy of the application was served on the affected cities and counties.

In Resolution ALJ 176-3173 dated May 25, 2006, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were not necessary. No protest has been received. Given this status, public hearing is not necessary, and it is not necessary to alter the preliminary determinations made in Resolution ALJ 176-3173.

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<sup>2</sup> Includes projected revenue of \$517,513 from the fuel surcharge authorized by Resolution TL-19066.

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

### **Assignment of Proceeding**

Richard Clark is the assigned Examiner in this proceeding.

### **Findings of Fact**

1. The application requests authority to increase passenger fares for Applicant's vessel common carrier service between Newport Beach and Santa Catalina Island.
2. Applicant was last given specific authority to increase fares in 2003 by D.03-06-019.
3. Applicant has increased its fares under the temporary authority granted to all VCCs, most recently by Resolution TL-19066.
4. Under its current fares (including the temporary surcharge) Applicant projects 2006 revenue of \$3,241,265 and operating expenses of \$3,253,133, resulting in an anticipated loss of \$11,868.
5. Under the proposed fares, Applicant projects 2006 revenue of \$3,667,360, operating expenses of \$3,321,086, and an operating ratio of 94.6% (after taxes).
6. The requested fares under Pub. Util. Code §§ 454 and 491 are just and reasonable.
7. No protest to the application has been filed.
8. A public hearing is not necessary.
9. It can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

### **Conclusions of Law**

1. The request to increase fares under Pub. Util. Code §§ 454 and 491 is justified.

2. The application should be granted.
3. Since the matter is uncontested, the decision should be effective on the date it is signed.

## **O R D E R**

### **IT IS ORDERED** that:

1. Catalina Passenger Service, Inc., (Applicant), is authorized to establish the increased vessel common carrier fares set forth in the application.
2. Tariffs may be filed on or after the effective date of this order. They may become effective five days or more after the effective date of this order provided that the Commission and the public are given not less than five days' notice.
3. Upon filing of the increased fares, Applicant shall cancel the temporary surcharge authorized by Resolution TL-19066.
4. Applicant shall inform the public of the increased fares and rates and their effective date by posting notice on its vessels. Such notice shall be posted not later than the date the new fares and rates take effect and shall remain posted for not less than 30 days.
5. This authority shall expire unless exercised within 90 days after the effective date of this order.
6. The Application is granted as set forth above.

7. This proceeding is closed.

This order is effective today.

Dated October 5, 2006, at San Francisco, California.

MICHAEL R. PEEVEY  
President  
GEOFFREY F. BROWN  
DIAN M. GRUENEICH  
JOHN A. BOHN  
RACHELLE B. CHONG  
Commissioners